



City of Salina Market-Based Downtown Plan

Part IV: Recommendations for Downtown Business Improvement District #1

**Working Draft
(08/07/02)**

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I. Background

The History of Downtown BID #1: Business improvement districts (BID) provide for an assessment on commercial property and businesses to finance supplemental services and improvements. Typical services financed by downtown BIDs include enhanced maintenance, security, marketing, economic development, special events and parking management. According to the International Downtown Association, more than 1,000 BIDs have been formed in North America over the past 30 years, including several in Kansas. BIDs are viewed as tools to help downtowns remain competitive in increasingly complex retail, office and housing markets.

Salina's Downtown Business Improvement District #1 was formed in 1983. The original BID was formed "to fund a staff member employed by the City of Salina... responsible to provide planning, administrative and technical expertise for the possible rejuvenation of the improvement district". A fee schedule was set based upon five use types and a 12-member advisory board was established.

With the reconstruction of downtown's streetscape in 1987, BID #1 was substantially revised. Management of BID activities was delegated to Salina Downtown Inc. (SDI), a private non-profit advocacy and marketing organization that employs the Kansas Main Street model for downtown revitalization. The assessment structure was revised to conform to three geographic areas, with the highest rates found along the Santa Fe Avenue corridor. Also at this time, the city entered into an agreement with BID #1 to provide supplemental maintenance services at the annual reimbursement cost of \$17,000.

Today, the BID raises about \$75,000 in annual assessments through the same assessment formula and boundaries that were set in 1987. Day-to-day BID services are managed by SDI and the maintenance contract with the city is still in place. With the exception of the board being expanded to 13 members in 1991, BID #1 has remained essentially unchanged for 15 years.

Impetus for Change: In the fall of 2001, the City of Salina contracted with Denver-based Progressive Urban Management Associates to create a market-based plan for downtown. The plan established a multi-faceted development strategy for downtown Salina based upon the central business district's unique niche and opportunities in the regional marketplace. The planning process included extensive market analysis and stakeholder outreach, including opinions from property owners, businesses and civic leaders. From this process, the following conclusions were reached for Downtown BID #1:

- **The BID has not adapted to changes in the downtown marketplace.** When the BID was formed nearly 20 years ago, downtown was a primary retail destination. Today, downtown is evolving as a multi-dimensional destination with employment, shopping, dining, arts and entertainment.
- **The BID's purpose is not well communicated and is largely misunderstood.** Downtown stakeholders view the BID as regulatory and governmental. Communication with stakeholders has been lacking and its role in the overall revitalization strategy of downtown is not clear.

Despite the preceding concerns with the BID, the market-based planning process found support for updating and refreshing it. To assess the pros and cons of the existing BID and develop priorities for improving it, the market-based plan consultants met with the BID board of directors, the market-based plan steering committee and a public BID ratepayer forum that attracted more than 50 business and property owners. These meetings were held in January and February of 2002.

At the BID review forums, participants were asked to complete a survey ranking priorities for BID funding. If respondents wanted to eliminate the BID, they could return a blank survey. 59 surveys were tabulated, including seven blank surveys (or 12%). From the survey response, three clear priorities emerged for future BID funding:

- Economic Development (business retention and recruitment)
- Downtown Identity (gateways, directional signs and decorative banners)
- Marketing & Promotions (communications, collaborative advertising, map & directory)

Results from the forums and surveys are provided on the following page.

In addition to establishing priorities for BID services, ideas for improving the BID included:

- Clearly define the BID's goals – what is should and should not do
- Create more accountability with review mechanisms and a sunset clause, or term
- Improve communications with ratepayers
- Create more ways for ratepayers to become involved in BID programs
- Differentiate between the BID and SDI
- Find a way for non-profits to pay into the BID (by state law they are exempt)
- Update the assessment structure – eliminate inequities, particularly for small businesses
- Keep it fresh and relevant!

Results of BID Future Priorities Survey

PRIORITY	BID Board & Plan Steering Committee January 2002	BID Forum February 2002	TOTAL
1	Economic Development (1.7)	Downtown Identity (3.9)	Economic Development (3.7)
2	Marketing & Promotions (3.6)	Marketing & Promotions (4.5)	Downtown Identity (3.9)
3	Downtown Identity (3.9)	Economic Development (5.0)	Marketing & Promotions (4.2)
4	Maintenance (5.3)	Maintenance (6.2)	Maintenance (5.8)
5	Special Events (5.7)	Special Events (6.2)	Special Events (6.0)
6	Planning & Design (5.7)	Street Beautification (6.8)	Street Beautification (6.4)
7	Street Beautification (5.8)	Planning & Design (8.5)	Planning & Design (7.4)
8	Parking Management (7.7)	Parking Management (9.1)	Parking Management (8.5)
9	Public Safety (9.3)	Public Safety (9.2)	Public Safety (9.3)

# of responses	21	38	59
Property owners	9	17	26
Business owners	10	23	33
Residents	1	1	2
Other	9	14	25
blank surveys	0	7	7

Comments: Ideas to improve the downtown Salina BID

January: Get professional offices to contribute more Make employee parking arrangements written in business leases More promotion and less regulation Get City and Chamber more involved	February: Need city support, but not regulation (2) Needs to be much cleaner Educate businesses about the bargain of the BID Make BID director a Maintenance Director Get people downtown to spend money Make property owners pay BID dues City needs to improve infrastructure/alley flooding problems Need a structure to keep it together From blank surveys: Board needs to have only business and property owners Eliminate it! (2) Assess non-profits or abandon the BID completely
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II. Recommendations for Downtown BID #1

Mission

Salina's Downtown Business Improvement District #1 finances enhanced services and programs that aim to:

- Create and retain investment, businesses and jobs.
- Enhance downtown's quality of life to accommodate a variety of uses, including shopping, dining, arts, entertainment and living.
- Maximize accountability and communications with ratepayers.

The BID is a private sector-led tool that helps downtown compete in Salina's regional marketplace.

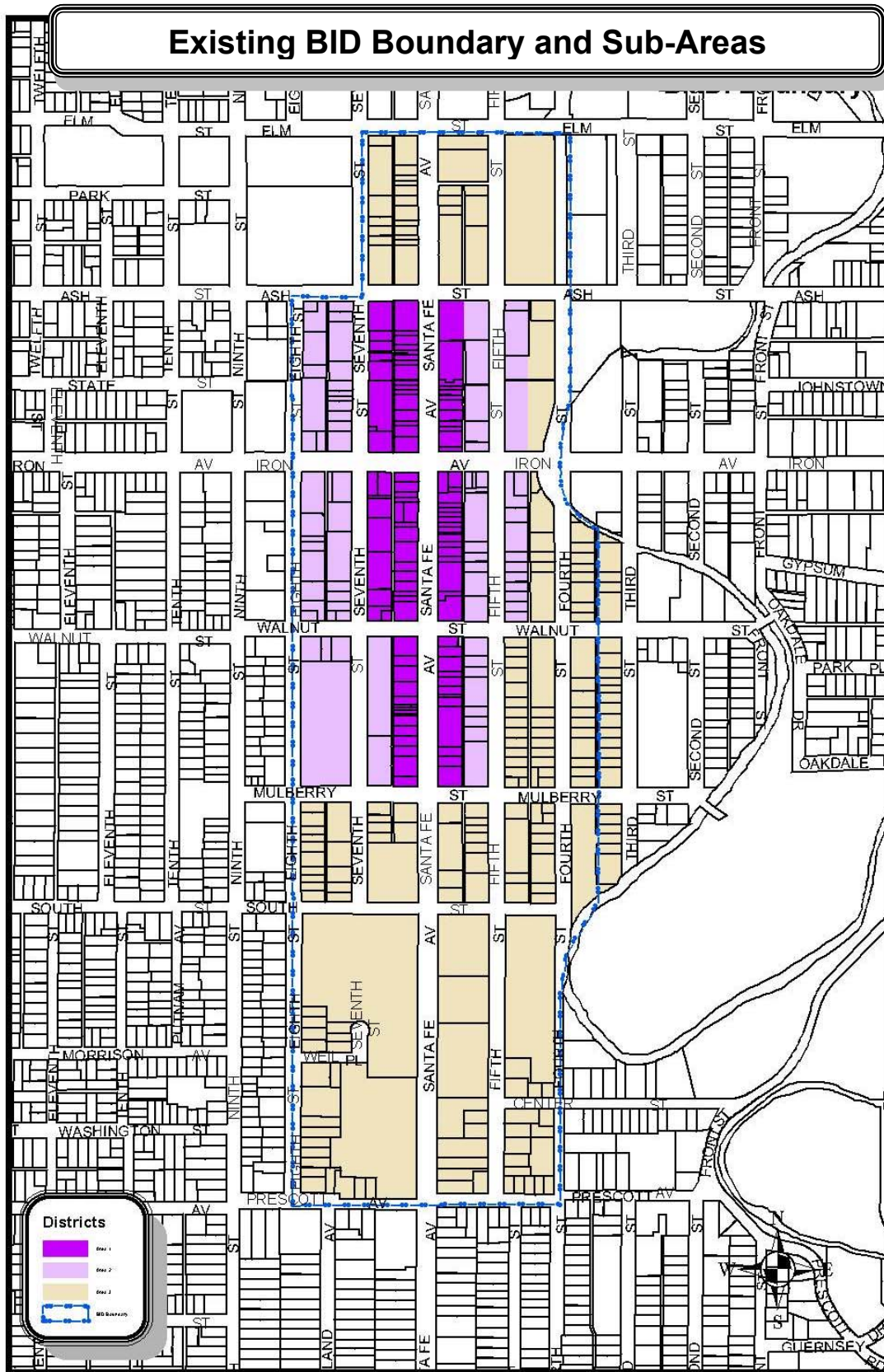
Boundaries

The original BID boundaries will be retained, roughly bounded by Prescott Avenue to the south, 8th Street to the west, Elm Street to the north and 4th Street to the east. Sub-areas within the BID will be amended to be consistent with the development districts identified within the 2002 Market-Based Downtown Plan. Sub-area adjustments will include:

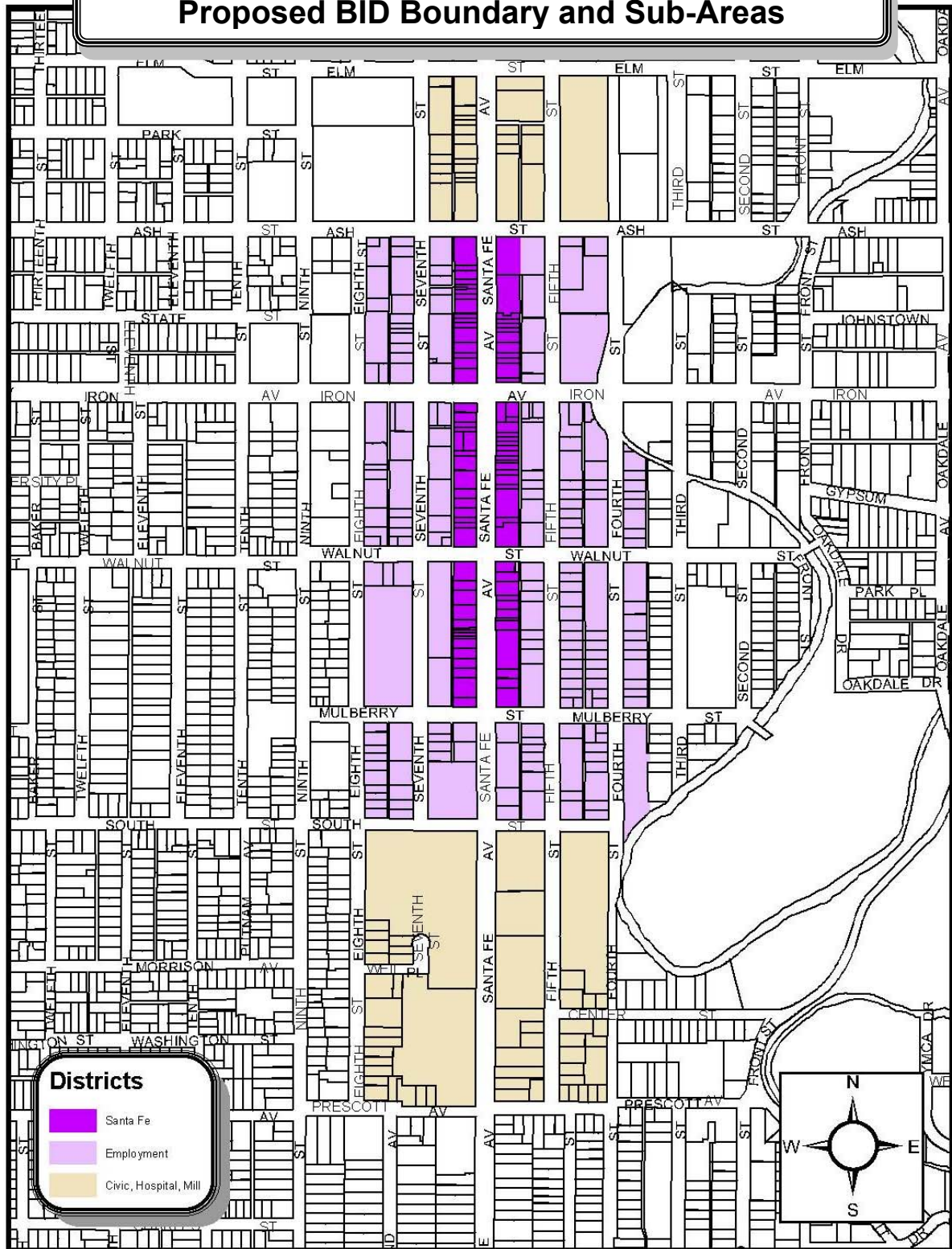
- **Area 1** will be contiguous with the Santa Fe Avenue District and will remain as the three blocks fronting Santa Fe Avenue bounded by Ash and Mulberry Streets.
- **Area 2** will be contiguous with the Employment District and will be extended south to South Street, east to 4th Street, north to Ash and west to 8th Street.
- **Area 3** will include BID areas that are included in the Mill and Hospital Districts, including areas north of Ash Street to Elm Street and south of South Street to Prescott Street.

In the Mill District, the BID boundary currently extends north to Elm Street. As this area becomes more vital, the City should consider extending the BID boundary north to Pine Street. The Mill District BID boundary should be re-evaluated within five years.

Maps illustrating the existing and proposed boundaries are provided on the following pages.



Proposed BID Boundary and Sub-Areas



Work Program

The 2002 Market-Based Downtown Plan recommends that SDI and the BID become downtown's ***property manager***, requiring a realignment from the past "preservation-based" (Main Street) approach to a more "market-based" approach (economic development). Areas of suggested program focus include:

- Business support & tenant recruitment
- Destination marketing
- Communications and advocacy

This effort requires the following work program elements:

Business Support & Tenant Recruitment

- Strong ongoing relationships with property owners and businesses, including knowledge of available real estate, rental rates, lease expirations and expectations.
- Basic understanding of local real estate, finance and business development resources.
- Creation, maintenance and dissemination of a comprehensive business and property owner database.
- Ongoing liaison services with the city on codes, design review and other development processes.
- Program emphasis on business retention and recruitment, including marketing and support services to promote existing businesses and identify and recruit new enterprises.

Destination Marketing

- Create and distribute an attractive and functional Downtown Map & Directory.
- Capitalize on and coordinate cross-marketing opportunities through downtown's activity anchors (i.e. city/county offices, Salina Regional Health Center) and through complementary businesses.
- Strengthen downtown's identity with improved signage, banners and decorations.
- Create a new signature event (Santa Fe Days), leverage existing successful events (Smoky Hill River Festival) and eliminate events that do not meet set performance goals.

Communications and Advocacy

- Represent a unified voice for downtown on advocacy and policy issues.
- Provide regular communications to ratepayers and downtown markets through periodic newsletters, website and email.
- Conduct an annual ratepayer satisfaction survey to determine program strengths and weaknesses.

Budget

According to the 2001 SDI/BID budget, \$150,000 was utilized for downtown improvement programs with revenues of \$135,000. For 2003, we propose to increase SDI/BID net revenues by approximately \$40,000:

Revenues

Source of Revenue	2001 Budget	2003 Estimate	Comments
BID Assessments	\$ 73,000	\$ 100,000	Revised methodology
Organizational Contributions	\$ 38,000	\$ 50,000	City/County/SRHC, Non-Profits
Events/Other Income	\$ 24,000	\$ 25,000	
Total	\$ 135,000	\$ 175,000	

Expenses

Activity	2001 Budget	2003 Estimate	Comments
Personnel			
Executive Director		\$ 50,000	Economic development skills
Research Assistant		\$ 25,000	Database & special projects
Taxes, Insurance (20%)		\$ 15,000	Taxes, health insurance
Total Personnel	\$ 67,750	\$ 90,000	
Office & Admin Expense	\$ 27,000	\$ 25,000	
City Maintenance Agreement	\$ 17,000	0	Eliminate agreement – City still provides maintenance
Program Expenses			
Downtown Identity (banners, decorations, signs)	\$ 4,000	\$ 15,000	Leverage with city signage improvements
Destination Marketing (map & directory, cross-promotions, eco devo)	\$ 10,000	\$ 15,000	Leverage with directory advertising, business participation & Chamber publications
Special Events	\$ 20,000	\$ 20,000	Focus on few, big events
Communications	\$ 2,250	\$ 5,000	Newsletter, surveys, website
Contingency	\$ 3,000	\$ 5,000	
Total	\$ 151,000	\$ 175,000	
Net	(\$16,000)	0	

Assessment Methodology

Existing Methodology: The method of assessment for Downtown Salina's BID #1 has remained *unchanged for the past 15 years*. This 1987 assessment methodology is based upon the following assumptions:

- All businesses pay a fixed rate plus a variable rate that distinguishes between retail and professional service firms – retail is based on linear frontage, professional is based upon the number of professional employees.
- Three zones of benefit were drawn in 1987, with the Santa Fe Avenue corridor paying the highest amount.
- Maximum annual assessments per contiguous site range from \$112 in Zone 3 to \$850 in Zone 1.

The *existing rate* structure is as follows:

Sub-Area	Fixed Rate	Retail Rate: Frontage	Professional Rate: Per Professional	Maximum Rate per Business Site
Area 1	\$ 160	\$ 8.79	\$ 125.46	\$ 850.01
Area 2	\$ 80	\$ 3.29	\$ 46.95	\$ 338.25
Area 3	\$ 40	\$ 0.93	\$ 13.23	\$ 112.76

There are several unintended challenges created by this system:

- Ongoing administration to track and distinguish between retail and professional uses.
- Difficulty in distinguishing level of benefit between zones, particularly for variable rate factors.
- Small firms can pay more than large firms – i.e. a one-person law firm on Santa Fe could pay \$285 while a 50-person company in Zone 3 pays \$112.
- As retail use has declined, in many case replaced by exempt non-profits, the assessment base has declined.

Proposed Revised Methodology: The proposed new methodology is based upon the following assumptions:

- To support an economic development/destination marketing work program, a general flattening of rates since benefits should be distributed throughout downtown.
- Realignment of the sub-areas to be contiguous with the 2002 Market-Based Plan development districts.
- Retail frontage assessment for all properties fronting Santa Fe Avenue only, since this corridor is designated as the retail, dining and entertainment core of downtown.
- Assess all full time employees, not just professionals, since all employees and businesses would benefit from a more vital downtown.
- Create a structure that better differentiates between benefits for small and large companies.

Suggested Revised Assessment Rates:

Sub-Area	Fixed Rate	Frontage Rate	2 to 10 Employees	11 to 50 Employees	Over 50 Employees
Santa Fe District: Ground Floor	\$ 250.00	\$ 10.00			
Maximum Rate per site		\$ 1,500.00			
Santa Fe Upper Floors/ Employment District	\$ 150.00		\$ 50	\$ 25	\$ 25
Maximum Rate per site			\$ 500.00	\$ 1,000.00	\$ 1,500.00
Mill/Hospital Districts	\$ 100.00		\$ 33.33	\$ 16.67	\$ 16.67
Maximum Rate per site			\$ 333.33	\$ 666.67	\$ 1,000.00

Examples of Suggested Assessment Rates:

One-person professional firm located on the second floor of a Santa Fe Avenue building:

Existing Assessment: \$160 plus \$125.46 = **\$285.46**

Proposed Assessment: **\$150.00**

Santa Fe Avenue retailer occupying storefront with 50 linear feet:

Existing Assessment: \$160 plus \$8.79 x 50 = **\$599.50**

Proposed Assessment: \$250 plus \$10 x 50 = **\$750.00**

30-employee firm located in the Employment District.

Existing Assessment: **\$338.25** (maximum rate per site in Area 2)

Proposed Assessment: \$500 (10 employees) plus \$25 x 20 = **\$1,000.00**

Contributions by Anchors, Non-Profits: Contribution rates are also proposed for downtown's primary activity anchors, the City/County complex and the Salina Regional Health Center. The suggested contribution for each of these activity anchors is \$15,000.

Finally, under Kansas law, non-profit organizations are exempt from BID assessments. This issue has created increased concern with the downtown community over the past several years. We propose that the City of Salina provide a contribution to compensate the BID for non-profits. This contribution is estimated at \$15,000.

Governance

Geographic representation on the BID board: The BID is governed by a 13-member board of directors composed of property and business owners. We suggest that geographic criteria, consistent with the 2002 Market-Based Plan, be added to the BID board composition to ensure that all areas are represented:

- 3 members representing the Santa Fe Avenue District;
- 3 members representing the Employment District
- 1 member representing the Mill District
- 1 member representing the City/County activity anchor
- 1 member representing the Hospital activity anchor
- 4 members at-large

Relationship between SDI and the BID: Currently it is difficult to distinguish between Salina Downtown Inc. (SDI) and the BID. Both organizations share the same board members, budget, office and staff. There is a key legal difference between the two entities:

- The BID is a quasi-governmental entity, created by local ordinance and enabled with the power to collect assessments.
- SDI is a private sector non-profit organization.

In the future, it may be beneficial to create a stronger distinction between SDI and the BID. The BID board is responsible to manage BID assessments, which comprise a majority of SDI/BID joint revenue; however, there are two primary advantages to a more distinct role by SDI.

The first is **resource development**. As a non-profit organization, SDI could diversify downtown improvement revenues through a variety of sources, including:

- Contributions, including foundation and corporate grants
- Event sponsorships and revenue
- Other earned income

The second advantage to SDI is that it can take a stronger role in **advocacy and lobbying**. As a unified private sector voice for downtown, SDI can be influential in guiding a variety of policies and issues that affect downtown.

If SDI becomes more active in resource development and/or advocacy, a stronger distinction should be made between the BID and SDI boards. The BID board could be reduced (9 members?) and new members could be recruited to augment SDI's resource development and advocacy functions.

Safeguards

To keep the BID relevant and maximize accountability to ratepayers, a series of safeguards are recommended:

- **Annual Ratepayer Survey:** An annual ratepayer survey should be developed to measure satisfaction with and measurable impact resulting from BID services.
- **Annual Database Review:** The BID database should be reviewed annually to track changes in business ownership and employment.
- **Assessment Cap:** Annual increases in BID assessments should be limited to adjustments in the Salina area cost of living, or 3%, whichever is less.
- **Five Year Reviews:** The BID should undergo a complete review every five years, including work program, budget, assessment methodology and service boundaries.